



CHARITABLE INCORPORATED ORGANISATIONS: IMPLEMENTATION TIMETABLE ANNOUNCED

Since January this year, the Charity Commission has been accepting applications from charities to register as Charitable Incorporated Organisations. The timetable for accepting applications has been staggered according to income; with new charities with less than £5000 being considered first, followed by existing unincorporated charities in ascending income bands and, finally, the conversion of corporate entities to CIOs.

Conversion to CIOs for unincorporated charities is not a straightforward matter; the activities, assets and liabilities of the existing charitable trust have to be transferred to a CIO followed by the possible dissolution of the unincorporated charity and its removal from the register of charities. However, once completed, the administrative burden of being regulated under both company and charity law will be removed and replaced by a more straightforward regulatory regime....

The long awaited legislation enabling charities to take advantage of limited liability by becoming Charitable Incorporated Organisations was finally laid before Parliament last October. This means that, since January 2013, the Charity Commission has been able to start accepting staggered applications for registration (see timetable below).

The Charitable Incorporated Organisation (CIO), a new legal structure under the Charities Act 2011, has been designed specifically for charities and will be registered and regulated by the Charity Commission alone. It relieves charities of the administrative burden of dual regulation by both Companies House and the Charity Commission and it is hoped that it will make it easier to set up and run charitable and not-for-profit organisations. In addition, the fact that CIOs will benefit from limited liability should also make it easier for charities to attract and retain trustees.

The regulations governing the CIO (an idea originally introduced under the Charities Act 2006) were subject to a Charity Commission consultation in 2008 which gave interested parties the opportunity to comment on them. Following the consultation, a number of regulations were developed which delayed the implementation of the initiative.

Trustees and senior management of charitable trusts and unincorporated associations need to be aware that conversion to a CIO is not a simple process: the activities, assets and liabilities of the existing charitable trust have to be transferred to a CIO, usually followed by the dissolution of the unincorporated charity and its removal from the register of charities. Although the legislation for the conversion of charitable companies is not yet in place, it is anticipated that they will simply need to re-register as a CIO without the need for a transfer and dissolution.

The new timetable for implementing the CIO

The timetable has altered considerably since the regulations were first drafted. So that the Charity Commission is able to consider each application fully, the implementation is being phased over a 12 month period.

Date	Guidelines for CIO applications
2 January 2013	Applications accepted from brand new charities with anticipated income of over £5000.
1 March 2013	Existing unincorporated charities with annual income over £250,000.
1 May 2013	Existing unincorporated charities with annual income between £100,000 and £250,000.
1 July 2013	Existing unincorporated charities with annual incomes £25,000 - £100,000 to set up a CIO and transfer assets into it.

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| 1 October 2013 | Window opens for existing unincorporated charities with annual incomes £5,000 - £25,000. |
| 1 Jan 2014 | Existing unincorporated charities with annual incomes of less than £5,000 and for brand new charities with anticipated annual incomes of less than £5,000. |
| During 2014 | Conversion of charitable companies into CIOs (subject to Parliamentary approval of separate conversion regulations to be made during 2013). This may also need to be phased by income bracket. |

We will continue to keep a very close eye on developments and are already advising our charitable clients on the best way forward so that those wishing to convert can do so quickly and efficiently.

Article written by: - Mark Lewis, Partner at Wright Hassall LLP Solicitors 01926 880700 mark.lewis@wrighthassall.co.uk - Mark is a UK200Group Charities Committee member

UK200Charity Group

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